



IN REPLY REFER TO

DEFENSE CONTRACT AUDIT AGENCY

**CAMERON STATION
ALEXANDRIA, VIRGINIA 22314**

OSA-1555-68
CI-68-14-298

7322
STATINTL

REPLY TO:

May 10, 1968

SUBJECT: Report on Evaluation Spare Parts Proposal

Contract (657) 12846 - List #36

TO : Contracting Officer

REF : Technical Proposal dated 24 April 1968

1. Purpose of Evaluation. Per request, an evaluation has been made of the contractor's CPFF proposal for the purpose of determining the reasonableness of the estimated costs of spare parts for the system monitor test set, list #36. The selling price of \$6,123 includes a fee of \$454.

2. Scope of Evaluation. The review included an examination of the labor, overhead and general and administrative rates as well as the pricing of the estimated bill of material and travel costs.

3. Results of Review. The auditor recommends acceptance of the contractor's estimated costs subject to the comments and recommendations contained in the following analysis:

Per
Contractor's
Proposal Comments

STATINTL

Direct Labor - Engineering
Direct Labor - Manufacturing
Burden - Engineering
Burden - Manufacturing
Materials
Travel & Subsistence
Subtotal
General and Administrative
Total Cost
Fee Requested
Total Selling Price

-2-

a. (1) The direct labor hours should be reviewed by a technical representative.

(2) For the purpose of this report only, the auditor accepts the contractor's estimated labor rates. Although at this time, there are no agreed to hourly bid rates for the engineering dept., any recommended reduction based on the contractor's current experience would result in only an insignificant cost adjustment. The manufacturing hourly rates are considered acceptable since they are based on the schedule of acceptable hourly rates.

b. The burden and G&A rates as proposed are acceptable since they represent the latest agreed to rates for use in bid proposals and furthermore compare favorably with the contractor's current experience.

c. The estimated material costs were adequately supported by purchase orders and current vendor's quotes and are therefore considered acceptable.

d. The pricing of the one (1) six (6) day trip to the West Coast for the purpose of checking out the spares on a test set is considered acceptable for this report, but the need for this trip should be reviewed by a technical representative.

4. Comments on Fee. The contractor has requested a fee based on of the estimated costs. The original target fee negotiated for the basic contract was based on of the estimated target cost. STATINTL

for Charles M. Hanley
ARTHUR G. HANLEY
DCAA Representative - APL